



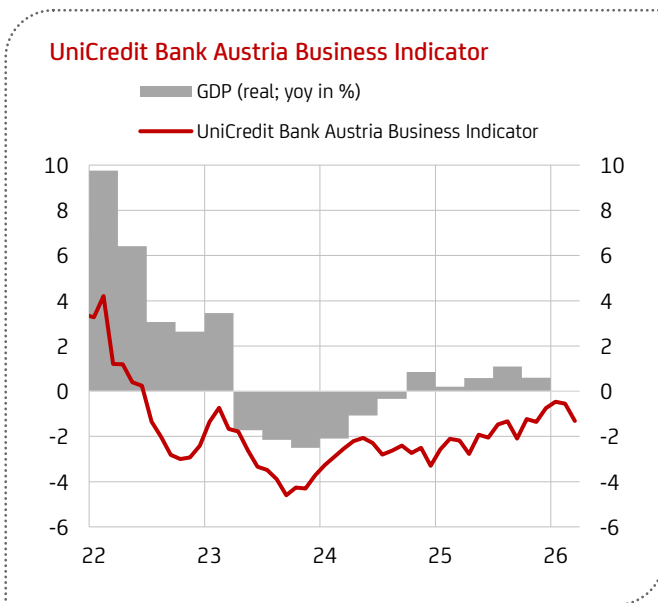
# UniCredit Bank Austria Business Indicator

**April 2026**

# Overview

## HIGHER INFLATION WILL SLOW THE RECOVERY, BUT NOT STOP IT

- Deteriorating sentiment due to the Iran war caused the UniCredit Bank Austria Business Indicator to fall to minus 1.3 points
- Significant slump in consumer sentiment and sentiment in the service sector, while pessimism in industry and construction has fallen slightly
- Growth forecast for 2026 lowered to 0.8 per cent and for 2027 to 1.2 per cent
- Geopolitical uncertainties and higher inflation will weigh on consumption and investment momentum
- Turnaround on the labour market is delayed: unemployment rate in 2026 will be 7.4%, as in the previous year
- Longer duration of the energy crisis expected: We have raised our inflation forecast for 2026 from 2.5 per cent to 3 per cent and for 2027 from 2.2 per cent to 2.6 per cent
- ECB will respond with interest rate hikes: Key interest rates expected to rise by 25 basis points in both June and September



Source: Statistik Austria, Wifo, UniCredit Bank Austria

|        | GDP real (yoy in %) | UniCredit Bank Austria Business Indicator |
|--------|---------------------|---|
| Dec-98 | 3.3                 | 3.2                                       |
| Dec-99 | 4.5                 | 4.4                                       |
| Dec-00 | 2.9                 | 3.9                                       |
| Dec-01 | 0.0                 | 0.4                                       |
| Dec-02 | 0.8                 | 1.8                                       |
| Dec-03 | 2.4                 | 2.7                                       |
| Dec-04 | 2.6                 | 2.8                                       |
| Dec-05 | 2.7                 | 2.9                                       |
| Dec-06 | 3.5                 | 3.9                                       |
| Dec-07 | 2.9                 | 2.9                                       |
| Dec-08 | -1.2                | -2.0                                      |
| Dec-09 | -0.7                | 0.7                                       |
| Dec-10 | 2.6                 | 2.2                                       |
| Dec-11 | 1.5                 | 0.6                                       |
| Dec-12 | 0.0                 | 0.6                                       |
| Dec-13 | 0.7                 | 1.5                                       |
| Dec-14 | 1.0                 | 0.8                                       |
| Dec-15 | 1.4                 | 1.7                                       |
| Dec-16 | 2.0                 | 3.1                                       |
| Dec-17 | 3.1                 | 5.2                                       |
| Dec-18 | 3.1                 | 3.1                                       |
| Dec-19 | 0.3                 | 1.2                                       |
| Dec-20 | -4.9                | 0.0                                       |
| Mar-21 | -5.3                | 2.3                                       |
| Jun-21 | 14.3                | 7.1                                       |
| Sep-21 | 5.0                 | 5.5                                       |
| Dec-21 | 6.8                 | 3.4                                       |
| Mar-22 | 9.8                 | 1.2                                       |
| Jun-22 | 6.4                 | 0.2                                       |
| Sep-22 | 3.1                 | -2.8                                      |
| Dec-22 | 2.6                 | -2.4                                      |
| Mar-23 | 3.5                 | -1.7                                      |
| Jun-23 | -1.7                | -3.3                                      |
| Sep-23 | -2.2                | -4.6                                      |
| Dec-23 | -2.5                | -3.7                                      |
| Mar-24 | -2.1                | -2.5                                      |
| Jun-24 | -1.1                | -2.3                                      |
| Sep-24 | -0.3                | -2.4                                      |
| Dec-24 | 0.8                 | -3.3                                      |
| Mar-25 | 0.2                 | -2.2                                      |
| Jun-25 | 0.6                 | -2.1                                      |
| Sep-25 | 1.1                 | -2.1                                      |
| Dec-25 | 0.6                 | -0.7                                      |
| Jan-26 |                     | -0.5                                      |
| Feb-26 |                     | -0.6                                      |
| Mar-26 |                     | -1.3                                      |

Source: UniCredit Bank Austria

# In detail

## UNICREDIT BANK AUSTRIA BUSINESS INDICATOR DECREASED TO MINUS 1.3 POINTS IN MARCH

With the start of the Iran war, economic sentiment in Austria has deteriorated significantly. "The UniCredit Bank Austria Economic Indicator fell to minus 1.3 points in March, the lowest value in four months. In the first quarter of 2026, the UniCredit Bank Austria Business Indicator averaged minus 0.8 points. The best result in almost three years signals a continuation of the recovery of the Austrian economy with a slight increase in GDP at the beginning of 2026. However, the deterioration in sentiment in March suggests that the upward trend is beginning to slow.

Geopolitical uncertainties worsened the mood among domestic consumers in particular in March. An acceleration in inflation as a result of the already increased fuel prices and the resulting threat of a loss of purchasing power fueled consumer pessimism. The business outlook in the services sector has also deteriorated due to the changed framework conditions for the retail and tourism sectors, among others. By contrast, uncertainty in the construction and industrial sectors has eased somewhat in view of an improved order trend.

While the mood in industry and construction has eased slightly despite the start of the Iran war, the outlook in the services sector deteriorated in March, especially as consumer confidence fell significantly. Sentiment in all sectors of the domestic economy was pessimistic at the end of the first quarter of 2026, in some cases significantly below the long-term average. In addition, sentiment in all economic sectors in Austria was worse than in the eurozone as a whole, and the gap was particularly clear in industry. From today's perspective, the conflict will cost Austria 0.5 percentage points of growth and around 1.5 percentage points of inflation by 2027.

## CHALLENGES GROW WITH THE DURATION OF THE CONFLICT

The recovery of the Austrian economy is being jeopardized by the Middle East conflict. The Iran war has not come to a quick end and will probably continue to smolder after the ceasefire. According to the economists at UniCredit Bank Austria, the Strait of Hormuz will remain closed at least until the summer. However, the energy infrastructure in the neighboring countries should remain largely unaffected. The situation should gradually calm down in the second half of the year, as a result of which crude oil transport will gradually normalize and prices will begin to fall, although they will no longer reach pre-war levels in 2026.

The prolonged war in Iran will have a somewhat greater impact on economic development in Austria than we expected in our ad-hoc analysis immediately after the outbreak of the war. We have once again lowered our growth forecast for 2026 by one tenth of a percentage point to 0.8 per cent and now only expect GDP to increase by 1.2 per cent in 2027. The challenges will slow the pace of recovery, but we are optimistic that the upswing will not come to a standstill." The pace of recovery will be slowed by geopolitical uncertainties and high inflation, which will have a negative impact on investment activity and consumer spending.

## STABLE LABOR MARKET, BUT NO IMPROVEMENT FOR THE TIME BEING

Economic recovery has allowed the situation on the labor market to stabilize in recent months. The seasonally adjusted unemployment rate was 7.5 per cent in March, as it has been since October of the previous year. This means that the peak of the current cycle has probably been reached. However, the signs of an imminent improvement trend have evaporated and with lower growth expectations, the prospects of a turnaround are being postponed until the second half of the year.

The slowdown in the pace of recovery will somewhat delay an easing of the situation on the labor market. If the Iran conflict ends in the first half of the year and there is a gradual normalization in oil trade and energy prices, the unemployment rate should start to fall in the second half of the year.

The average unemployment rate for 2025 rose to 7.4 per cent. Despite the economic impact of the war in Iran, we expect the unemployment rate to stabilize at 7.4% in 2026. Only in 2027, with more favorable economic conditions, do we expect a decline to at least 7.3 per cent, which will be supported by only a modest increase in the labor supply.

## HIGHER INFLATION, BUT BELOW THE PREVIOUS YEAR'S FIGURE OF 3.6 PER CENT

In view of the ongoing conflict in the Middle East, we expect energy prices to remain higher for a longer period of time than previously assumed. We assume that oil and gas prices will only begin to fall from their current high levels of around USD 100 per barrel and EUR 60 per MWh in the third quarter of 2026. By the end of 2026, energy prices will not have fallen back to the level they were at the beginning of the year.

The rapid rise in fuel prices in Austria as a result of the increase in the price of crude oil was already reflected in a significant acceleration in inflation to just over 3 per cent in March. The upward pressure on prices will remain strong in the coming months, so that inflation rates of around 3.5 per cent are expected in the second half of the year.

We have raised our inflation forecast for the annual average for 2026 from 1.9 per cent to 2.5 per cent after the first increase to 3 per cent in view of the prolonged war with Iran. The longer duration of the conflict increases the likelihood of second-round effects. We have raised our inflation forecast for 2027 from 2.2 per cent to 2.6 per cent.

## WILL ECB REACT?

As the Iran war has been going on for some time and the consequences of the blockade of the Strait of Hormuz on inflation are now clear, we assume that the European Central Bank will raise key interest rates to stabilize inflation expectations. We expect the deposit rate to rise by 25 basis points each in June and September to the upper limit of the neutral range. However, the ECB could reverse an interest rate hike in the third quarter of 2027 if developments are favorable.

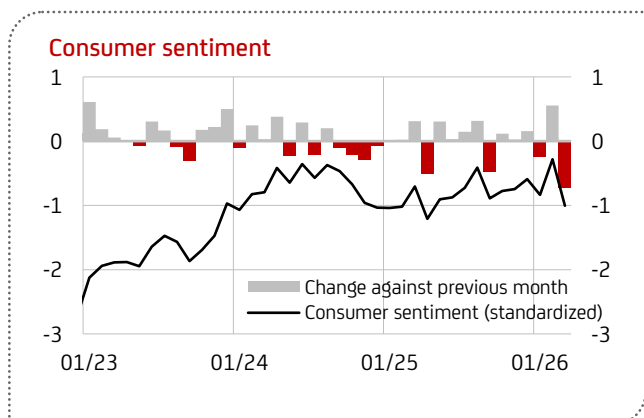
## Economic Forecast

|   | 2017        | 2018       | 2019       | 2020        | 2021        | 2022        | 2023        | 2024        | 2025        | forecast UCBA |             |
|---|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|
|   | 2017        | 2018       | 2019       | 2020        | 2021        | 2022        | 2023        | 2024        | 2025        | 2026          | 2027        |
| <i>Real change in %</i>                   |             |            |            |             |             |             |             |             |             |               |             |
| <b>GDP</b>                                | <b>2.3</b>  | <b>2.5</b> | <b>1.8</b> | <b>-6.3</b> | <b>4.9</b>  | <b>5.3</b>  | <b>-0.8</b> | <b>-0.7</b> | <b>0.6</b>  | <b>0.8</b>    | <b>1.2</b>  |
| Private consumption                       | 1.9         | 0.8        | 0.7        | -7.6        | 4.9         | 5.4         | -0.2        | 1.0         | 0.5         | 0.5           | 1.1         |
| Public consumption                        | 0.6         | 1.0        | 1.3        | -0.8        | 7.7         | 0.0         | 0.6         | 3.8         | 2.4         | 0.4           | 0.5         |
| Gross fixed capital formation*)           | 4.2         | 4.4        | 4.3        | -5.3        | 6.0         | -0.3        | -1.3        | -4.1        | 1.7         | 0.5           | 1.7         |
| Investments in plant and machinery        | 7.7         | 1.3        | 1.0        | -8.2        | 8.8         | -1.7        | 1.2         | -4.4        | 9.2         | 1.5           | 2.0         |
| Investments in construction               | 2.5         | 5.6        | 3.5        | -3.5        | 4.3         | -2.1        | -4.5        | -5.9        | -2.9        | -0.5          | 1.0         |
| Exports                                   | 4.9         | 5.2        | 4.0        | -10.5       | 9.5         | 9.4         | -0.6        | -2.3        | 0.3         | 1.8           | 2.6         |
| Imports                                   | 5.3         | 5.1        | 2.4        | -9.6        | 14.1        | 6.9         | -4.3        | -2.6        | 1.7         | 1.6           | 2.6         |
| <b>CPI (change in %)</b>                  | <b>2.1</b>  | <b>2.0</b> | <b>1.5</b> | <b>1.4</b>  | <b>2.8</b>  | <b>8.6</b>  | <b>7.8</b>  | <b>2.9</b>  | <b>3.6</b>  | <b>3.0</b>    | <b>2.6</b>  |
| HCPI (change in %)                        | 2.2         | 2.1        | 1.5        | 1.4         | 2.8         | 8.6         | 7.7         | 2.9         | 3.6         | 3.0           | 2.7         |
| <b>Saving ratio (in %) ***)</b>           | <b>7.1</b>  | <b>7.7</b> | <b>7.2</b> | <b>13.6</b> | <b>11.3</b> | <b>9.1</b>  | <b>8.6</b>  | <b>11.7</b> | <b>9.9</b>  | <b>10.0</b>   | <b>9.2</b>  |
| Current account (in euro bn) ***)         | 4.6         | 3.2        | 9.4        | 12.8        | 7.0         | -5.8        | 7.7         | 7.5         | 9.5         | 9.0           | 10.0        |
| Current account (in % of GDP) ***)        | 1.3         | 0.8        | 2.4        | 3.4         | 1.7         | -1.3        | 1.6         | 1.5         | 1.9         | 1.7           | 1.8         |
| Employment (in 1,000)**)                  | 3,573       | 3,661      | 3,720      | 3,644       | 3,734       | 3,845       | 3,889       | 3,898       | 3,905       | 3,915         | 3,922       |
| Employment (change in %) **)              | 2.0         | 2.5        | 1.6        | -2.0        | 2.5         | 3.0         | 1.2         | 0.2         | 0.2         | 0.3           | 0.2         |
| <b>Unemployment rate (nat. def.)</b>      | <b>8.5</b>  | <b>7.7</b> | <b>7.4</b> | <b>9.9</b>  | <b>8.0</b>  | <b>6.3</b>  | <b>6.4</b>  | <b>7.0</b>  | <b>7.4</b>  | <b>7.4</b>    | <b>7.3</b>  |
| Unemployment rate (EU def.)               | 6.0         | 5.2        | 4.8        | 6.0         | 6.2         | 4.8         | 5.1         | 5.2         | 5.7         | 5.6           | 5.5         |
| Unemployed (annual average in 1,000)      | 340         | 312        | 301        | 410         | 332         | 263         | 271         | 298         | 318         | 317           | 312         |
| <b>General gov. balance (in % of GDP)</b> | <b>-0.8</b> | <b>0.2</b> | <b>0.5</b> | <b>-8.2</b> | <b>-5.7</b> | <b>-3.4</b> | <b>-2.6</b> | <b>-4.6</b> | <b>-4.2</b> | <b>-3.9</b>   | <b>-3.2</b> |
| Public-sector debt (in % of GDP)          | 79.1        | 74.6       | 71.0       | 83.2        | 82.4        | 78.1        | 77.8        | 80.0        | 81.5        | 82.4          | 82.5        |
| Nominal GDP (in euro bn)                  | 367         | 383        | 396        | 380         | 406.2       | 449.4       | 477.8       | 494.1       | 512.8       | 532.3         | 552.8       |

\*) excluding changes in inventory    \*\*) excluding persons drawing maternity benefits, military service and training

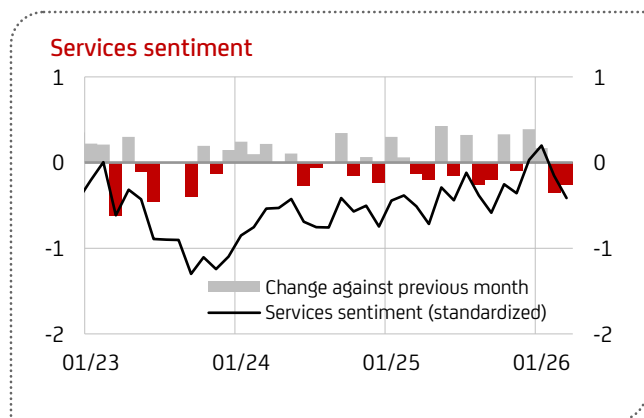
Source: UniCredit Bank Austria

### Consumer sentiment clearly deteriorated



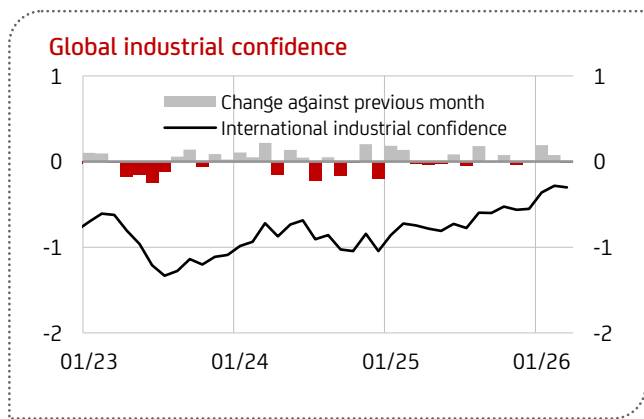
The mood of domestic consumers deteriorated significantly in March. The Iran war and its possible consequences on purchasing power weighed on sentiment.

### Services sentiment continued to decline



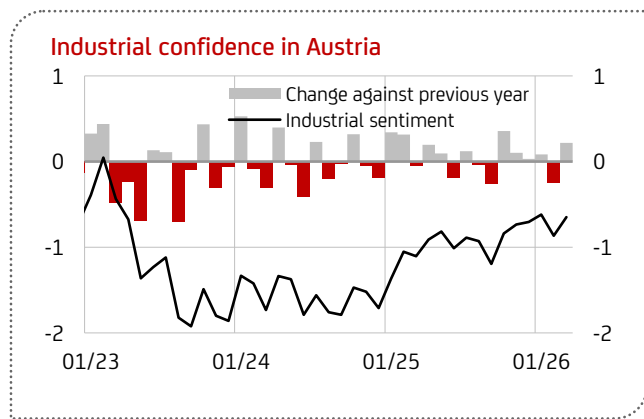
Sentiment in the service sector deteriorated noticeably again in March. The Middle East conflict is a particular burden for the leisure industry and the tourism sector.

### Export environment stable



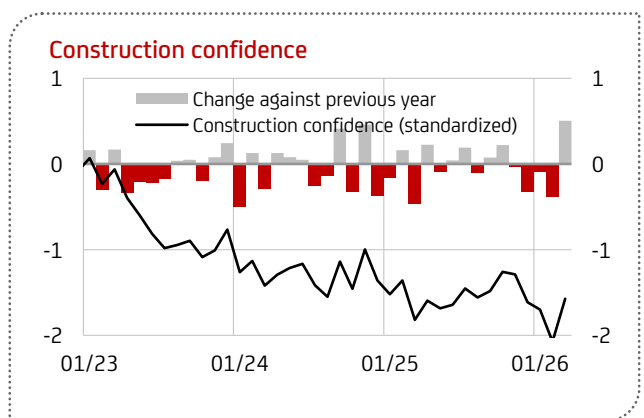
The indicator for global industrial sentiment hardly changed in March. Global industry is on hold.

### Industrial sentiment with slight improvement



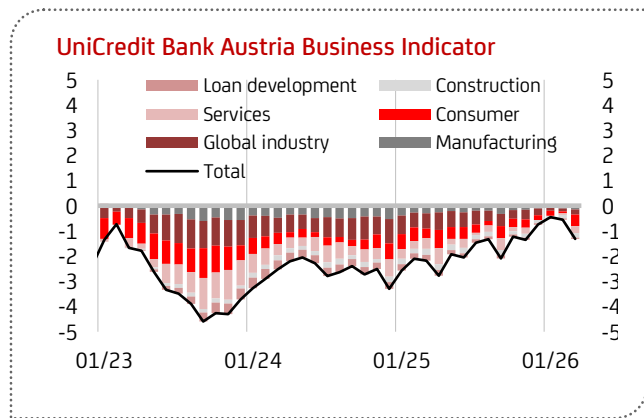
Despite the uncertainty caused by the conflict in the Middle East, the mood in Austrian industry has improved in view of a somewhat more favorable development of new orders.

### Slight improvement in the mood in construction



In the construction industry, economic sentiment improved again in March, albeit at its lowest level since the 2009 financial crisis in the previous month.

### UCBA Business Indicator decreased to minus 1.3 points in March



The slight decline in the UCBA Business Indicator in March was mainly due to increased uncertainty among domestic consumers.

Sources: EU-Commission, Statistik Austria, UniCredit

## MORE TO READ

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